

Review: 4273
Statewide Single Audit
Year Ended June 30, 2006
Department of Human Services
18 Recommendations, 11 Repeated
6 - Implemented, 1- Accepted, 2- Partially Accepted, 9- Not Accepted

06-02. The auditors recommend IDHS review its current process for identifying and reporting interagency expenditures and implement monitoring procedures to ensure that federal and state expenditures expended by other state agencies meet the applicable program regulations and are not claimed or used to meet matching or maintenance of effort requirements under more than one federal program. Also, IDHS should establish a process for updating interagency agreements on a periodic basis for any changes affecting its federal programs and implement procedures as necessary to ensure up to date interagency agreements are on file for all agencies. (Repeated-2003)

Findings: IDHS does not have an adequate process for monitoring interagency expenditures claimed under the Temporary Assistance for Needy Families (TANF), Child Care Development Fund Cluster (Child Care), Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

During test work the auditors noted the state agencies expending program funds do not determine under which program IDHS reported their expenditures. Additionally, IDHS does not perform monitoring procedures to ascertain that the expenditures claimed meet the specific criteria applicable to the program for which it was claimed. During the year ended June 30, 2006, IDHS used expenditures from other agencies to claim reimbursement for or satisfy maintenance of effort (MOE) requirements for the TANF, Child Care, Title XX, and SAPT programs as follows:

Program	Expending State Agency	Expenditures Claimed	Total Expenditures
Federal TANF	Children and Family Services	\$187,742,210	\$556,455,000
Federal TANF	Student Assistance Commission	\$49,384,247	\$556,455,000
Federal TANF	Revenue	\$15,519,987	\$556,455,000
Federal TANF	Community College Board	\$1,158,400	\$556,455,000
Federal TANF	Healthcare and Family Services	\$2,313,927	\$556,455,000
TANF MOE	Healthcare and Family Services	\$64,999,819	\$449,382,000
	State Board of		

TANF MOE	Education	\$49,978,544	\$449,382,000
TANF MOE	Community College Board	\$5,647,563	\$449,382,000
TANF MOE	Commerce and Economic Opportunity	\$22,491	\$449,382,000
ChildCare MOE	Children and Family Services	\$11,081,836	\$449,382,000
Title XX	Children and Family Services	\$18,831,237	\$115,496,000
SAPT MOE	Public Health	\$4,373,000	\$121,240,000

In addition, IDHS has not established procedures to ensure up to date interagency agreements are maintained for all agencies providing IDHS with expenditures for its federal programs.

DHS officials stated the process of improving IDHS monitoring procedures over interagency expenditures was started in response to the prior audit recommendation.

Response: Disagree. This is a repeat finding because the auditors indicated that some of the corrective actions implemented were completed in fiscal year 2007. IDHS has implemented additional controls over other agency expenditures claimed on IDHS administered grant programs. We have obtained and reviewed internal control surveys on the claimed programs from the other agencies. For the quarter and year ending June 30, 2006 and subsequent quarters we have obtained a signed certification statement from responsible agency officials certifying they have not claimed on any other federal program, used as match, or to meet any other State spending requirements of a federal program. The interagency agreement with DHFS was updated for the LIHEAP program and signed by both IDHS and DHFS.

Auditors' Comment: The corrective action implemented relative to this finding primarily consisted of requiring other state agencies to complete internal control questionnaires and certifications relative to the expenditures reported to IDHS; however, these procedures were performed subsequent to the end of the audit period (June 30, 2006). In addition, IDHS has not implemented procedures to verify the accuracy of the information reported in the internal control questionnaires and certifications provided by other state agencies. An updated interagency agreement with DHFS was not in place until January 2007.

Updated Response: Not Accepted. Although IDHS did not agree with the exceptions, Department staff continue to monitor and address the issue of monitoring interagency program expenditures.

A review was conducted of current process for monitoring interagency program expenditures. The following measures were taken: 1). Completed monitoring survey document and sent to agencies with TANF and SSBG expenditure claims. 2). Reviewed surveys returned from HFS, Revenue and ISAC. 3). Reviewed interagency agreements

for programs and effective dates. 4). Scheduled and met in person with DCFS fiscal personnel. 5). Obtained and reviewed completed monitoring surveys from DCFS, ICCB, Corrections, and ISBE. 6). Updated interagency agreement with HFS for LIHEAP program. 7). Requested and received quarterly expenditure detail from all agencies that provide expenditures claimed in the Block Grant programs. 8). IDHS has developed a certification letter that is to be signed and submitted with each claim from another agency. 9). Requested and received certification letter from all agencies that provide expenditures claimed in the Block Grant programs. 10). Undertook a structured approach to complete items noted above. Developed tracking spreadsheet and copied all relevant documents for KPMG (DHS External Auditor) review. Met with KPMG personnel to discuss interagency expenditure claim activity on October 1, 2007. Additional documents were provided to KPMG on 10/15/2007 for their review.

06-03. The auditors recommend IDHS review its current process for performing eligibility redeterminations and consider changes necessary to ensure all redeterminations are performed within the timeframes prescribed within the State Plans for each affected program. (Repeated-2003)

Findings: IDHS is not performing “eligibility redeterminations” for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF), State Children’s Insurance Program (SCHIP), and Medicaid programs in accordance with timeframes required by the respective State Plans.

During test work over eligibility, the auditors noted the State was overdue in performing the eligibility redeterminations for individuals receiving benefits under the TANF, SCHIP, and Medicaid programs based on the following monthly statistics for state fiscal year 2006:

Program/Mos	Number of Overdue Redeterminations	Total Number of Cases	Percentage of Overdue Cases
TANF			
July	3,323	41,487	8.01%
August	3,210	41,621	7.71%
September	3,121	42,204	7.40%
October	2,766	42,380	6.53%
November	2,758	41,958	6.57%
December	2,662	42,137	6.32%
January	2,445	41,549	5.88%
February	2,299	40,860	5.63%
March	1,958	40,649	4.82%
April	1,823	39,802	4.58%
	Cases	Total	Percentage

Program/Mos	Overdue	Cases	Overdue
May	1,650	39,425	4.19%
June	1,733	39,064	4.44%
SCHIP			
July	56,332	511,152	11.02%
August	56,140	513,703	10.93%
September	55,891	515,455	10.84%
October	52,889	517,649	10.22%
November	53,439	520,008	10.28%
December	53,926	524,041	10.29%
January	47,996	526,457	9.12%
February	44,734	527,398	8.48%
March	34,006	527,200	6.45%
April	25,120	524,191	4.79%
May	20,201	524,480	3.85%
June	18,516	525,468	3.52%
Medicaid			
July	31,080	369,568	8.41%
August	30,384	370,908	8.19%
September	30,658	372,269	8.24%
October	28,764	374,342	7.68%
November	28,957	375,758	7.71%
December	29,578	377,448	7.84%
January	28,091	378,501	7.42%
February	26,798	378,617	7.08%
March	23,591	378,356	6.24%
April	20,326	377,812	5.38%
May	17,591	378,303	4.65%
June	16,818	378,583	4.44%

In addition, during test work of 50 TANF, 50 SCHIP, and 125 Medicaid eligibility files selected, the auditors noted redeterminations were not completed within required time frames for three TANF, eleven SCHIP, and fifteen Medicaid cases tested. Delays in performing redeterminations ranged from one to nine months after the required timeframe.

IDHS officials stated the finding is based on a completion rate of 100%. IDHS has reviewed and facilitated change in the State Plan to reflect the Federal expectations regarding redeterminations. In fiscal year 2006, IDHS was over 90% current on case redeterminations.

Response: The Department accepts the recommendation. The IDHS Division of Human Capital Development agrees to review our process of performing eligibility

redeterminations and will continue to make redetermination currency a priority. It should be noted that the TANF State Plan has been changed to indicate that every effort will be made to complete eligible redeterminations timely and accurately in accordance with federal guidelines. Federal guidelines do not contain a stipulation as to a percentage of timely redeterminations. The finding is based on a completion rate of 100%. To date in fiscal year 2007, IDHS exhibits a redetermination currency rate of over 96%.

Updated Response: Implemented. The Division of Human Capital Development (HCD) management staff has changed the TANF State Plan to reflect a reasonable range in setting redetermination guidelines.

Central HCD staff spoke to each Local Office Administrator (LOA) at regional meetings in order to communicate the importance of Redetermination.

06-04. The auditors recommend IDHS review its current process for performing eligibility determinations and consider changes necessary to ensure procedures to verify whether beneficiaries have been convicted of a Class 1 or Class X felony are implemented.

Findings: IDHS does not have adequate procedures in place to ensure individuals convicted of Class 1 or Class X drug felonies do not receive benefits under the Temporary Assistance for Needy Families (TANF) program.

During test work over 50 TANF beneficiary files, the auditors noted one beneficiary who had been convicted of a Class 1 felony was paid TANF cash benefits totaling \$4,752 during the year ended June 30, 2006. Upon further investigation, the auditors noted IDHS' process for determining whether TANF applicants have been convicted of a Class 1 or Class X felony primarily consists of inquiries made during the application process. IDHS does not have procedures in place to corroborate the applicant's statements through cross matches with the Illinois Department of Corrections or other mechanisms.

IDHS officials stated this finding could be attributed to caseworker oversight. Although IDHS' written procedures contain instruction on handling a crossmatch, negotiations with the Illinois State Police never resulted in a file sharing agreement. The IDHS Division of Human Capital Development staff are exploring available options in order to create a crossmatch with the appropriate entities.

Response: The Department accepts the recommendation. The IDHS, Family Community Resource Center where the client received benefits identified the overpayment and has already completed the overpayment referral to the IDHS Bureau of Collections. IDHS will seek to recover the overpayments through all means authorized by statute. The IDHS Division of Human Capital Development agrees to review our process of verifying the presence of a Class 1 or X felony. The Department will remind all staff of the TANF requirements related to convicted Class 1 or X felons.

Updated Response: Partially Implemented. **Corrective action completed:** Central HCD staff have communicated to each LOA at regional meetings the importance of following the appropriate TANF policy as it relates to Class 1 and X convicted felons.

Corrective action to be completed: Written communication will be sent to all staff reminding them of the TANF requirements related to convicted Class 1 or X felons. Illinois will explore the possibility of a waiver of the TANF ban on Class I and X felons. Central HCD staff will work to update written policy and procedure to accurately communicate the TANF ban on convicted Class I and X felons. Estimated date of completion is December 31, 2008.

06-05. The auditors recommend IDHS implement procedures to ensure only expenditures made on the behalf of families or children who meet the specified income requirements of the program are claimed.

Findings: IDHS used unallowable expenditures to meet the earmarking requirement for the Social Services Block Grant (Title XX) program. During FY06, DHS transferred about \$33.3 million from the TANF program to the Title XX program.

During test work over 65 Home Services program expenditures, the auditors noted five expenditures tested (totaling \$831) were for services provided to beneficiaries who did not meet the earmarking poverty level criteria. Upon further investigation, IDHS determined the query developed to identify expenditures for beneficiaries meeting the poverty level criteria erroneously increased the family size of each beneficiary by one individual. As a result, ineligible beneficiaries were included in the query and expenditures totaling \$1,016,313 were improperly used to meet the earmarking requirement.

IDHS personnel stated an error in calculating the family size of home services clients occurred for quarters ending December 31, 2005, March 31, 2006, and June 30, 2006.

Response: Disagree. IDHS has implemented the recommendation. The report error was corrected and adjustments made prior to the auditors completing their testing. IDHS has revised the computer program to accurately reflect TANF requirements for the selection process. The final ACF-196 report was corrected and the correct amount was reported on the final Title XX SSBG annual report. No unallowable costs were claimed on either program.

Auditors' Comment: We are unclear as to why IDHS disagrees with the finding. The errors reported in this finding were identified solely as a result of the performance of our audit procedures and the amounts used to support federal cash draws were required to be adjusted as a result of the error identified. The fact that corrective action was taken after notification of the errors by the auditors does not eliminate the initial noncompliance.

Updated Response: Not Accepted. Programming on Home Services TANF eligible report was changed to calculate correct family size. Final SSBG financial status report was filed with correct amounts. No unallowable costs were claimed on either program.

06-06. The auditors recommend IDHS review its current process for sanctioning beneficiaries not cooperating with the State's child support enforcement efforts and consider changes necessary to ensure benefits are reduced or denied in accordance with the State Plan. (Repeated-2003)

Findings: IDHS did not enforce sanctions required by the State Plan for individuals receiving benefits under the Temporary Assistance for Needy Families (TANF) program who did not cooperate with child support enforcement efforts.

During test work over the Child Support Non-Cooperation Special Test of the TANF program, the auditors selected 50 Child Support cases referred by DHFS for non-cooperation without good cause. The auditors noted the following exceptions during test work:

- In three cases, IDHS did not sanction beneficiaries for non-cooperation. Benefits paid to these individuals during the period of noncompliance were \$2,307.
- In five cases, IDHS did not evaluate beneficiaries for non-cooperation within required timeframes. Benefits paid to these individuals during the period of noncompliance were \$2,668.
- In four cases, IDHS did not evaluate and sanction beneficiaries for non-cooperation within required timeframes. Benefits paid to these individuals during the year ended June 30, 2006 were \$5,008.

IDHS officials stated delays in the evaluation process can be attributed to the lack of electronic interface between the IV-A (IDHS) and IV-D (DHFS) agencies. Since the IDHS and DHFS computer systems do not interface, the Form 1611 (Notice of Failure to Cooperate) process is manual.

Updated Response: Implemented. The Illinois Department of Human Services (IDHS) staff and the Department of Health and Family Services (IHFS) Division of Child Support Enforcement (DCSE) staff participates in a regularly scheduled conference calls in order to discuss topics of interest to both agencies and work together to enhance workflow. The most recent collaboration meeting was held on August 2007. IDHS and HFS DCSE have developed an efficient electronic delivery system for 1611 forms (Notice of Failure to Cooperate).

06-07. The auditors recommend IDHS review its process for determining the allowability of payments on the behalf of beneficiaries and consider the changes necessary to ensure only allowable costs for beneficiaries determined eligible are charged to the federal program. (Repeated-2005)

Findings: IDHS made unallowable expenditures on behalf of eligible beneficiaries of the Vocational Rehabilitation program.

During test work of Vocational Rehabilitation beneficiary payments, the auditors selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits and noted the following exceptions:

- In three cases, invoices could not be located to support expenditures made on the behalf beneficiaries totaling \$3,470.
- In one case, payments were made for services that were not approved in the beneficiary's current IPE. Payments to these beneficiaries totaled \$2,667.
- In two cases, invoice vouchers were not approved by the counselor prior to payment. Payments for services provided on these vouchers totaled \$1,669.

IDHS officials stated each of the instances cited are the result of incomplete documentation regarding the appropriateness of the expenditure. The expenditures are allowable under the Vocational Rehabilitation program. Appropriate authorization, referral, and service documentation were included in the case file, but documentation was not fully completed in instances regarding vouchers.

Updated Response: Implemented. The IDHS, Division of Rehabilitation Services (DRS) has developed a Quality Assurance process to monitor allowability of payments. First page reminder was sent to all staff regarding the need for better documentation. Reminder was also communicated to staff at the Statewide Zone Meetings.

06-08. The auditors recommend IDHS review its process for identifying expenditures used to meet its maintenance of effort requirements and implement changes necessary to ensure expenditures are identified and accounted for in accordance with the applicable program regulations.

Findings: IDHS was unable to provide adequate supporting documentation to substantiate the base level of State funded expenditures required for the Early Intervention (Part C) program.

USDE requires the total amount of State and local funds budgeted for early intervention services for children (and their families) eligible under Part C to be equal to the total amount of State and local funds actually expended for early intervention services for these children (and their families) in the most recent preceding fiscal year for which information is available. During the audit of the Part C program in the prior year, IDHS was unable to provide a complete population of expenditures used to meet its maintenance of effort requirement for state fiscal years 2003, 2004, and 2005. As a result, the auditors are unable to verify the base level of State and locally funded expenditures required for the year ended June 30, 2006. Consequently, the auditors were unable to determine if the State funded expenditures of \$2,578,528 for the year ended June 30, 2006 were sufficient to meet the maintenance of effort requirement.

IDHS officials stated the finding is a result of the conditions that resulted in the disclaimer of opinion on the Early Intervention program in the prior year audit.

Auditors' Comment: As noted in the finding above, due to the disclaimer of opinion issued in connection with our audit of the EI program in 2005, we were unable to determine whether IDHS has met its maintenance of effort requirement as the amount of prior year state funded expenditures could not be audited.

Updated Response: Not Accepted. IDHS has already implemented a process to identify and account for expenditures to meet the Early Intervention (EI) program maintenance of effort requirements.

A cost allocation plan amendment was filed effective April 1, 2006 and the prescribed methodology was used to allocate the FY2006 administrative costs of the EI program. Process was continued in FY07.

06-09. The auditors recommend IDHS review its procedures for monitoring its service organizations and implement any changes necessary to ensure monitoring activities are adequately designed and documented.

Findings: IDHS did not adequately monitor a service organization that validates and pays the vouchers submitted by vendors who accept WIC coupons. The auditors noted that the vendor's independent auditors' report did not adequately document the procedures performed and results obtained in sufficient detail to enable IDHS to determine whether the service organization's internal controls were properly designed and operating effectively.

IDHS officials stated the IDHS Division of Community Health and Prevention does conduct adequate monitoring of the WIC service provider. IDHS received an unqualified independent audit of the service provider as required in the WIC banking contract. Per the WIC banking contract, it is the discretion of service provider to select the auditor. The Department currently collects WIC benefit issuance information electronically (via the Cornerstone reporting system) on a daily basis. On a daily basis, the IDHS Division of Community Health and Prevention reconciles WIC benefit issuance data from the IDHS' Cornerstone data system to WIC benefit redemption data reported by the service provider.

Response: Disagree. The Department believes that adequate and appropriate controls were in place for the purpose of monitoring the Women, Infants and Children (WIC) service organization. The auditors based their findings only on an audit report issued by the independent auditors without reviewing their workpapers or reviewing other scope of work completed by the independent auditors. The auditors also refused to communicate with the independent auditors for clarification on the scope of their work. IDHS disagrees with the finding for the following reasons:

1. IDHS did require the Women, Infants and Children service organization to submit and did receive an independent audit report on controls placed in operation and tests of operating effectiveness for the service organization for the year ended June 30, 2006.

2. The IDHS Division of Community, Health and Prevention staff reconciles the Women, Infants and Children banking activity on a daily basis. The auditors have reviewed these procedures and processes and no exceptions were noted.
3. As stated in the finding, there are no questioned costs associated with this finding.

Auditors' Comment: We disagree with IDHS that adequate and appropriate monitoring controls were in place for the purpose of monitoring its WIC service organization. As stated in the finding above, IDHS personnel did not perform or document a review of the service organization audit report. We believe this audit report is an important component of IDHS' overall process for monitoring its service organization.

Additionally, we did have conversations with the service organization's auditors relative to the scope of their procedures; however, the purpose of the service organization's report on internal control is to allow user organizations (and their independent auditors) to gain an understanding of the service organization's internal controls and the operating effectiveness of those controls. Such a report should be written in sufficient detail to allow users of the report to understand the scope of the procedures performed and the results obtained from those procedures.

Updated Response: Not Accepted. IDHS–Division of Community Health and Prevention staff has notified the WIC Banking contractor, Convansys, that the Illinois State Contracted Auditors determined that the SAS 70 report submitted was inadequate. Convansys contracted with a new audit firm, Ernst and Young to conduct the 2007 SAS 70-Type II review and will implement additional standards. This will enable Ernst and Young to perform an in-depth audit of the WIC Banking Contractor's control objectives and control activities, which often include controls over information technology and related processes. The SAS70 audit work was scheduled for September 2007. As of October 22 2007, Ernst and Young had completed the SAS 70 audit and were to issue a draft report to the WIC Banking Contractor. IDHS expects to receive the report by the end of November 2007. When the report is received, DHS, Division of Community Health and Prevention (CHP) staff, DHS, Bureau of Federal Reporting, and DHS Audit staff will review it.

06-10. The auditors recommend IDHS develop definitive guidance for awarding scholarships under its TANF Scholarship program and implement procedures to ensure benefits under its federal programs are properly coordinated.

Findings: IDHS did not adequately coordinate benefits paid on the behalf of beneficiaries of TANF and Child Care Development Fund Cluster programs.

During the review of documentation provided to subrecipients administering the TANF Scholarship program, the auditors noted the guidance provided by IDHS was informal in nature and required subrecipients to exercise significant judgment relative to the types of scholarships allowed to be awarded. Some students may receive scholarship funds to pay

only for tuition and books; whereas, other students may receive additional scholarships for living expenses such as rent, mortgage payments, car payments, car insurance, utilities, parking fines, and assistance with child care costs.

During the year ended June 30, 2006, IDHS claimed approximately \$1.5 million in TANF Scholarship program expenditures under the TANF program.

IDHS officials stated program guidance procedures provided by IDHS to subrecipients administering the scholarship program granted them the flexibility to exercise judgment regarding the nature of scholarships awarded.

Response: Disagree. The initial scholarship program guidelines for providers were drafted to allow the flexibility needed to serve a diverse population of recipients that have a diversity of needs in order to continue their education. We do not agree that scholarships were awarded in violation of the program, as all funds were awarded to assist recipients to remove barriers to continuing their education. IDHS has implemented more specific guidance to providers to ensure future consistency in scholarship criteria across all administrators of the program. IDHS has reviewed all relevant federal requirements and we have not found anything that prohibits the use of funding as required under the TANF Low Income program.

Auditors' Comment: Federal regulations require benefits provided under the TANF program to be coordinated to prevent recipients from receiving duplicative services or benefits under multiple federal programs. In addition, IDHS is required to provide subrecipients with adequate guidance to ensure programs are administered in accordance with federal regulations.

Updated Response: Not Accepted. TANF/Low Income Scholarship Degree Program providers were notified that reimbursements for child care payments or co-payments will no longer be an allowable expense under the program. DHS program managers have clarified reimbursable expenses consistently to all providers via a revised program fact sheet.

6-11. The auditors recommend IDHS review its current process for performing eligibility determinations and consider changes necessary to ensure all eligibility determinations are made and documented in accordance with program regulations. (Repeated-2004)

Findings: IDHS did not determine the eligibility of beneficiaries under the Rehabilitation Services – Vocational Rehabilitation Grants program.

During test work of Vocational Rehabilitation beneficiary payments, the auditors selected 50 eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits and noted the following exceptions:

- In seven cases, IDHS did not determine eligibility within the required 60 day timeframe. No payments were made for services related to these beneficiaries prior to the completion of the eligibility determinations, except those necessary to confirm the beneficiary's disability.
- In eight cases, IDHS could not provide the certificate of eligibility signed by the counselor who completed the eligibility determination; however, unsigned electronic certificates were provided from the case management system.

IDHS officials stated delays occurred which prevented the customer from being certified within the prescribed timeframes and IDHS did not document requests for extensions, or did not print and sign the certificate of eligibility forms to be placed in the paper case files.

Updated Response: Implemented. The IDHS Division of Rehabilitation (DRS) has implemented procedures to ensure eligibility determinations are reviewed. First page reminder was sent to all staff regarding the need for better documentation. Reminder was also communicated to staff at the Statewide Zone Meetings.

06-12. The auditors recommend IDHS ensure programmatic on-site reviews are performed for subrecipients in accordance with established policies and procedures. In addition, we recommend IDHS review its process for reporting and following up on findings relative to subrecipient on-site reviews to ensure timely corrective action is taken. (Repeated-2002)

Findings: IDHS did not follow its established policies and procedures for performing on-site monitoring reviews of subrecipients of the WIC Program, Vocational Rehabilitation, Special Education Grants for Infants and Families with Disabilities (Early Intervention), Temporary Assistance for Needy Families (TANF), Child Care Development Fund Cluster, Social Services Block Grant (Title XX) and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs.

During test work over expenditures of 150 subrecipients, 30 for each program, auditors noted nine subrecipients for which on-site program reviews have not been performed within the last three years as follows:

Program	Number of Subrecipients Without On-Site Reviews	Range of Years Since Last On-Site Review	Related Expenditures	Total Fiscal Year 2006 Subrecipient Expenditures	Total Fiscal Year 2006 Program Expenditures
Vocational		None			

Rehabilitation	1	performed	\$514,900	\$ 23,266,000	\$82,347,000
TANF	2	None performed	\$8,091,520	\$228,157,000	\$556,455,000
Child Care	1	None performed	\$176,952	\$196,520,000	\$213,191,000
Title XX	3	None performed	\$833,717	\$ 43,326,000	\$115,496,000
SAPT	2	None performed	\$1,513,554	\$ 66,720,000	\$69,615,000

In addition, during test work over on-site monitoring files of 174 subrecipients, 30 for each program, except Early Intervention for which 24 were tested, the following exceptions were noted:

Program	Number of Subrecipients Not Notified of Review Results within 60 days	Number of Days to Report Review Findings	Number of Subrecipients for which Corrective Action Plans Were Not Received within 60 days	Number of Days Corrective Action Plan was Late
WIC	6	78-110 days	1	6 days
Early Intervention	3	None	3	4-20 days
TANF	3	103-176 days	None	None
Child Care	11	67-89 days	None	None
Title XX	2	67-102 days	2	65-99 days
SAPT	None	None	1	52 days

IDHS officials stated IDHS was still in the process of implementing corrective actions during fiscal year 2006.

Updated Response: Implemented. During FY07, a new system of conducting on-site monitoring has been implemented. Each IDHS division/program areas has developed a new monitoring system that uses a consolidated schedule to record all required monitoring and establish procedural due dates.

06-13. The auditors recommend IDHS review the A-133 audit reports within 60 days of receipt. (Repeated-2005)

Findings: IDHS did not review OMB Circular A-133 audit reports received from its subrecipients for the WIC Program, Vocational Rehabilitation, Early Intervention, TANF, Child Care Development Fund Cluster, Social Services Block Grant (Title XX), and Block Grants for Prevention and Treatment of Substance Abuse (SAPT) programs on a timely basis.

Subrecipients who receive more than \$500,000 in federal awards are required to submit an OMB Circular A-133 audit report to IDHS. The Office of Contract Administration is responsible for reviewing these reports and working with program personnel to issue management decisions on any findings applicable to IDHS programs. A single audit desk review checklist is used to document the review of the OMB Circular A-133 audit reports. Of the 204 subrecipient monitoring files selected for review, IDHS had not completed desk reviews of the A-133 reports within 60 days of their receipt by IDHS. In addition, four reports which were not date stamped when received. For the two subrecipients reviewed six months after the date the audit report was received, IDHS was required to issue management decisions and did so within the required six-month timeframe.

IDHS' subrecipient expenditures under the federal programs for the year ended June 30, 2006 were as follows:

Program	Total Fiscal Year 2006 Subrecipient Expenditures	Total Fiscal Year 2006 Program Expenditures	%
WIC	\$166,570,000	\$183,714,000	90.7%
Vocational Rehabilitation	\$23,266,000	\$82,347,000	28.3%
Early Intervention	\$8,083,000	\$26,207,000	30.8%
TANF	\$228,157,000	\$556,455,000	41.0%
Child Care	\$196,520,000	\$213,191,000	92.2%
Title XX	\$43,326,000	\$115,496,000	37.5%
SAPT	\$66,720,000	\$69,615,000	95.8%

IDHS officials stated the annual cycle of receipt of reports is uneven, with 75% of all required reporting agencies having a June, July, or August fiscal year end. IDHS notes that there is no timeframe required for review prescribed in the regulations; however, the auditors have interpreted a reasonable timeframe to be 60 days.

Response: Disagree. OMB Circular A133.400(d)(5) clearly states under pass-through entity responsibilities that a management decision on audit findings be issued to a subrecipient within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action. There is no timeframe required for review prescribed in the regulations; however, the auditors have interpreted a reasonable timeframe to be 60 days.

Effective March 31, 2006, Audit Review Section internal procedure was changed so that within 15 business days of receiving forwarded reports from Springfield, the Audit Review Supervisor scans each report for findings. Reports with findings are prioritized for review before reports without findings; review is usually completed within 60 days. Management decisions on IDHS findings will continue to be issued within six months as required by A-133.

Auditors' Comment: Timely monitoring of subrecipients, including performance of desk reviews, is essential to ensure subrecipient compliance with the applicable provisions of laws, regulations, contracts, and grant agreements. Also, desk reviews of subrecipient OMB Circular A-133 audit reports include procedures in addition to following up on findings including reconciliation of federal expenditures to IDHS records and review of risk assessments to ensure the audit was properly performed.

Updated Response: Not Accepted. A). Reports received from Springfield are scanned by the Supervisor and assigned within 15 business days of receipt. Reports with findings are prioritized for review before reports without findings. Weekly monitoring logs indicate findings by BOLD TYPE on the agency name. Each assigned audit reviewer is responsible for meeting the established review date.

B). The OCA database will add an indicator for Single Audit reports with findings; to be entered at the time the report is logged in. A report of Single Audits Received but Not Yet Reviewed will show this indicator.

C). The Manager of the Office of Contract Administration has requested an additional staff person (Accountant Advanced) for the Audit Review Section. As of 10/24/07, this request is with the DHS Budget Office and the Executive Leadership Team.

06-14. The auditors recommend IDHS recalculate the interest liability for the year ended June 30, 2005 using the methodology stated in the TSA. A review of the interest liability calculation should be performed by an independent person that is knowledgeable of the TSA requirements.

Findings: IDHS did not properly calculate its interest liabilities for the Vocational Rehabilitation, Block Grants for Prevention and Treatment of Substance Abuse (SAPT), and Social Security Disability Insurance (SSDI) programs.

During test work over the June 30, 2005 interest calculation (submitted in fiscal year 2006); IDHS improperly used a simple average time instead of the dollar weighted average time in calculating the pre-issuance time. In addition, the clearance time used to calculate the administrative interest liabilities for the Vocational Rehabilitation, SAPT, and SSDI programs was one day as opposed to the six, nine, and six days, respectively, prescribed in the TSA. As a result, the interest liabilities calculated by IDHS were overstated by \$663 for the Vocational Rehabilitation program and were understated by \$6,042 and \$829 for the SAPT and SSDI programs, respectively.

IDHS personnel stated it followed its process for interest liability calculations that had been in place since fiscal year 2002.

Response: Disagree. IDHS has already recalculated our FY05 and FY06 interest liability using the dollar weighted methodology, and it resulted in a net overpayment of \$10,249. FY05 recalculation resulted in an underpayment totaling \$6,208 and FY06

recalculation indicated an overpayment totaling \$16,457. We disagree with the auditors' assertion that the incorrect clearance time was used in the calculation. We performed the calculations in accordance with Section 8.7.1C of the TSA using clearance times for payroll warrants that were recalculated in FY04 in response to audit recommendation 03-27. The clearance patterns for payroll warrants averaged one day since 73% of IDHS employees are on direct deposit for payroll earnings. The clearance pattern documentation was included with our FY04 interest calculations. The pre-issuance time plus the one-day clearance pattern equals the six, nine and six days for the mentioned programs shown in Exhibit II. IDHS will notify the agency responsible for negotiating the TSA agreement that the proper clearance time for payroll expenditures of the SAPT, VR and SSDI programs is one day.

Auditors' Comment: The TSA requires interest to be calculated based upon the clearance times specified in Exhibit II of the TSA. To the extent the TSA contains inaccurate clearance patterns, IDHS should work with the Governor's Office of Management and Budget to amend the TSA to include the corrected clearance patterns.

Updated Response: Not Accepted. The Treasury-State Agreement (TSA) was modified to change formula definitions in section 8.7.1 regarding clearance time definition. FY2007 liabilities will be calculated using weighted average method. Cash Management Improvement Act (CMIA) work-papers are due to the government Office of Management and Budget (GOMB) on December 03, 2007.

New clearance patterns for FY2008 TSA agreement are being developed. The new clearance patterns will be used for interest liability calculations done in December 2008.

06-15. The auditors recommend IDHS review the process for preparing the TANF Annual Report and implement procedures necessary to ensure the information reported is accurate and in accordance with program requirements.

Findings: IDHS did not properly report State program expenditures in the ACF-204 TANF Annual Report. In order to be eligible to receive federal funds under the TANF program, the State is required to maintain a level (amount) of "qualified State expenditures" for certain TANF activities designed to assist families to attain and maintain self-sufficiency.

During the review of the September 30, 2005 ACF-204 TANF Annual Report, the auditors noted the amounts reported by IDHS for several State programs as "total State expenditures for the program for the fiscal year" were equal to the amounts reported as MOE. However, the program expenditures funded by the State were in excess of the TANF MOE expenditures. As a result, the amount of State expenditures reported for certain State programs were understated. IDHS has not been able to determine the amounts that should have been reported.

IDHS personnel stated the procedures used in reporting program expenditures on line 6 (Statewide Expenditures) of the ACF-204 report were adopted to facilitate reconciliation with the ACF-196 TANF quarterly reports.

Updated Response: Implemented. IDHS has revised procedures to report information on line 6 of the ACF-204 report. Next report is due December 31, 2007. IDHS has also revised and resubmitted the ACF-204 report for federal fiscal year 2006. Total State Expenditures for the Program for the Fiscal Year was included on line 6 of the revised ACF 204 report. A copy of the revised ACF-204 report was provided to the auditors for review.

06-16. The auditors recommend IDHS review its current process for maintaining documentation supporting eligibility determinations and consider changes necessary to ensure all eligibility determination documentation is properly maintained. (Repeated-2001)

Findings: IDHS could not locate case file documentation supporting client eligibility determinations for beneficiaries of the TANF, State Children's Insurance Program (SCHIP) and the Medicaid Cluster programs.

During test work of 50 TANF, 50 SCHIP, and 125 Medicaid beneficiary payments, the auditors selected eligibility files to review for compliance with eligibility requirements and for the allowability of the related benefits provided and noted the following exceptions:

- In two Medicaid files, IDHS could not locate the application signed by the client in the case file records.
- In two TANF case files, a high school diploma or GED certificate was not on file to document education requirements for beneficiaries under the age of 19.
- In one TANF case file, the application for benefits signed by the individual did not include responses to questions designed to determine whether the beneficiary has reportable assets. IDHS could not locate documentation considered in determining whether the beneficiary had any reportable assets in the case file.

In each of the case files missing documentation, each of the eligibility criteria was verified through additional supporting documentation in the client's paper and electronic case files. However, the respective application and/or source documentation related to the redetermination/income verification procedures performed including evidence of case worker review and approval could not be located.

IDHS officials stated there are specific causes for the various exceptions included in the finding. In the first point where original signed application was not located, subsequent applications had been signed, filed, and are present in the case records. For the second point, IDHS disagrees with the idea that IDHS case files must include copies of high school diplomas as an eligibility requirement. For the third point, since assets are not an eligibility factor for all programs, the determination of available assets would have been covered in a face to face interview, and not on the paper application filed by the client.

Response: Partially Agree. The finding has three dot points; the first dot point refers to a missing initial application in two cases. In both cases, although the original signed application was not located, subsequent applications have been signed, filed, and are present in the case records.

The second dot point refers to two TANF case files that do not contain copies of the client's high school diploma. IDHS disagrees with the idea that our physical case files must include copies of high school diplomas as an eligibility requirement. The state plan indicates teen parents must attend high school unless they have a high school diploma or a GED. Although IDHS does determine the high school status of teen parents, copies of diplomas are not required as an eligibility requirement.

The third dot point refers to a case file that had no documentation regarding possible reportable assets. Our combined application form is used for all programs, which do not share all eligibility requirements. Since assets is not an eligibility factor for all programs, the determination of available assets would have been covered in a face to face interview, and not on the paper application filed by the client.

IDHS Program Manual (PM) 07-01-01 and Workers Action Guide (WAG) 07-01-01 requires the asset limits be applied to nonexempt assets only. The asset limits for TANF are based on the number of people in the assistance unit. The asset limits are: one person – \$2,000; two persons – \$3,000; and three or more persons - \$3,000 for the first two people, plus \$50 for each additional person. Apply the total amount of available nonexempt assets to the asset limit for the unit size. If total nonexempt assets exceed the asset limit, the case is ineligible for cash assistance. There are no asset limits for Parent Assist or any of the KidCare programs.

IDHS Division of Capital Development believes that the fact that information was identified as missing from only four cases out of a total of 285 cases reviewed (.014%) supports the assertion that proper documentation continues to be of the highest priority for all staff. IDHS agrees to continue to communicate to staff the importance of proper documentation.

Auditors' Comment: IDHS personnel have stated that beneficiary statements relative to whether or not educational requirements have been completed are sufficient documentation that educational requirements have been met. We disagree and believe IDHS should verify the accuracy of information provided by beneficiaries through crossmatches or other mechanisms.

Updated Response: Partially Accepted.

Implemented: (Corrective action implemented where accepted): Central HCD staff spoke at all regional meetings to review the importance of proper and necessary documentation. Two hundred and fifty four (254) filing cabinets have been purchased and placed in various FCRCs, in order to assist in our effort to improve in filing and documentation performance.

Not Accepted: The second dot point refers to two TANF case files that do not contain copies of the client's high school diploma. IDHS disagrees with the idea that our physical case files must include copies of high school diplomas as an eligibility requirement. The state plan indicates teen parents must attend high school unless they have a high school diploma or a GED. Although IDHS does determine the high school status of teen parents, copies of diplomas are not required as an eligibility requirement.

06-17. The auditors recommend IDHS obtain written documentation of the assignment of child support and/or medical support rights from all TANF and/or Medicaid beneficiaries. (Repeated-2005)

Findings: IDHS did not obtain written documentation from beneficiaries of the TANF or Medicaid programs documenting they had assigned their rights to child or medical support payments to the State.

As a condition of receiving cash assistance under the TANF and Medicaid programs, beneficiaries are required to assign their rights to collections of child support payments or medical support payments to the State during the time periods the individuals are receiving TANF cash benefits or Medicaid.

During test work over the TANF and Medicaid programs, the auditors selected eligibility files for 50 TANF and 125 Medicaid beneficiaries to review for compliance with eligibility requirements and for the allowability of the related benefits and noted the following exceptions:

- Four TANF beneficiary files and three Medicaid beneficiary files did not contain an acknowledgement of assigning child support payments to the State. Payments made during the year ended June 30, 2006 to the four TANF beneficiaries identified in our test work were \$8,280. Medical payments made on behalf of the three Medicaid beneficiaries selected for our test work during the year ended June 30, 2006 were \$29,317.
- Four TANF beneficiary files did not contain a signed acknowledgement of assigning child support payments to the State. Payments made during the year ended June 30, 2006 to these beneficiaries were \$15,852.

IDHS officials stated the cause of this finding is related to cases that have been active since an era when child support and medical assignment of rights language was not used.

Response: The Department partially agrees with the finding. The IDHS Division of Human Capital agrees to continue to ensure all new TANF applications include the signed Child Support assignment of rights. The Division of Human Capital is making every effort to identify all existing cases that do not include the assignment of rights language, upon identification, we agree to facilitate assignment of rights signatures. We also agree to obtain signatures on the proper pages of the paper applications effective immediately. It

must be noted however that a name, address, and signature is all that is required in order for IDHS to accept an application for benefits.

Auditors' Comment: Federal regulations and the State of Illinois' TANF and Medicaid State plans require beneficiaries of the TANF and Medicaid programs to assign their rights to child and medical support to the State as a condition of receiving program benefits. IDHS is required to obtain written documentation of such assignments.

Updated Response: Partially Accepted. Implemented: The Division of Human Capital Development (HCD) has included assignment of rights language on short application form # 2905. Central HCD staff spoke at regional meetings to each Local Office Administrator (LOA) regarding assignment of rights requirements.

06-18. The auditors recommend IDHS establish an adequate segregation of duties between those employees who develop and maintain the system from those who are authorized to use the system. Additionally, we recommend IDHS establish periodic reviews of user rights to ensure the access granted is appropriate.

Findings: IDHS does not have adequate controls over user access rights to its information systems.

During the review of the procedures for granting access to applications used to administer IDHS' federal programs, the auditors noted program developers had access to the production environment for the payroll system to perform system updates.

Response: Disagree. Due to the age and complexity of the payroll system, IDHS does allow the MIS Human Resource Systems personnel direct access to the production data to correct errors and problems that cannot be corrected by any other means. However, management has implemented an adequate system of internal controls, including both preventative and detective controls, to insure the propriety of the data.

In the Auditor General's cover letter to the Agency, dated April 13, 2007 states in part, "... However, we recommend the Department continue to assess access to production and datasets to ensure that only personnel needing access for completing their job responsibilities have access and powerful access privileges to programs and datasets are restricted. We also found that the number of changes to the PTS production data appears excessive as well. We recommend the Department consider modifying the PTS system to include additional update capabilities, including inherent controls and audit trails, within the application itself for making payroll data adjustments."

IDHS MIS management performs a 100% review of EVERY user's access rights. The review process has been in place for years and is initiated automatically by the computer system. Management must approve their staff's access rights and an automated process follows up any outstanding responses.

06-19. The auditors recommend IDHS continue using the revised cost allocation methodology for the State EI program. (Repeated-2005)

Findings: IDHS did not amend the allocation methodology included in Public Assistance Cost Allocation Plan (PACAP) to accurately allocate the costs of its Early Intervention Program to all applicable federal programs in a timely manner. During the review of costs allocated to federal programs during the quarter ended December 31, 2005, the auditors noted the allocation methodology included in the PACAP for the State EI program did not reflect the actual activities of the program.

IDHS officials stated a cost allocation plan amendment was filed effective April 1, 2006 and the prescribed methodology was used to allocate the fiscal year 2006 administrative costs of the EI program.

Response: Disagree. This finding was written because the amendment was not in effect until April 1, 2006. However, the revised allocation methodology was used during the audit period and per OMB regulations must be used for subsequent periods. The revised methodology was used to allocate the administrative costs for the period July 1, 2005 through June 30, 2006. Adequate supporting documentation for the revised allocation methodology was also provided to the auditor for review and no exceptions were noted. There is no need for this recommendation.

Auditors' Comment: As discussed in the finding above, this finding is a result of prior year findings which were not corrected by IDHS until the fourth quarter of the State's fiscal year.

Updated Response: Not Accepted.